

Strategic Planning for Competitive Advantage

MKTG 8

Chapter 2

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2014-2015

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Learning Outcomes

- LO¹** Understand the importance of strategic planning
- LO²** Define strategic business units (SBUs)
- LO³** Identify strategic alternatives and know a basic outline for a marketing plan
- LO⁴** Develop an appropriate business mission statement

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Learning Outcomes

- LO⁵** Describe the components of a situation analysis
- LO⁶** Identify sources of competitive advantage
- LO⁷** Explain the criteria for stating good marketing objectives
- LO⁸** Discuss target market strategies

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Learning Outcomes

- LO⁹** Describe the elements of the marketing mix
- LO¹⁰** Explain why implementation, evaluation, and control of the marketing plan are necessary
- LO¹¹** Identify several techniques that help make strategic planning effective

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The Nature of Strategic Planning

Understand the importance of strategic marketing and know a basic outline for a marketing plan

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Strategic Planning is...

the managerial process of creating and maintaining a fit between the organization's objectives and resources and the evolving market opportunities.

Strategic marketing management addresses two questions:

- What is the organization's main activity at a particular time?
- How will it reach its goals?

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Strategic Business Units

Define Strategic Business Units (SBUs)

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Characteristics of Strategic Business Units (SBUs)

An SBU has...

- ◆ A distinct mission and specific target market
- ◆ Control over its resources
- ◆ Its own competitors
- ◆ A single business or a collection of related businesses
- ◆ Plans independent of other SBUs

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Strategic Alternatives

Identify strategic alternatives

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Strategic Alternatives

Common ways to develop and evaluate opportunities:

- Ansoff's Strategic Opportunity Matrix
- Boston Consulting Group Model
- GE Electric Model
- Innovation Matrix (p. 16)

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Ansoff's Opportunity Matrix

Market Penetration	Increase market share among existing customers
Market Development	Attract new customers to existing products (e.g. Baking Soda)
Product Development	Create new products for present markets (e.g. Xbox 360 > Xbox One)
Diversification	Introduce new products into new markets (new customers)

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Exhibit 2.1

Ansoff's Strategic Opportunity Matrix

	Present Product	New Product
Present Market	Market Penetration Starbucks sells more coffee to customers who register their reloadable Starbucks cards.	Product Development Starbucks develops powdered instant coffee called Via.
New Market	Market Development Starbucks opens stores in Brazil and Chile	Diversification Starbucks launches Hear Music and buys Ethos Water.

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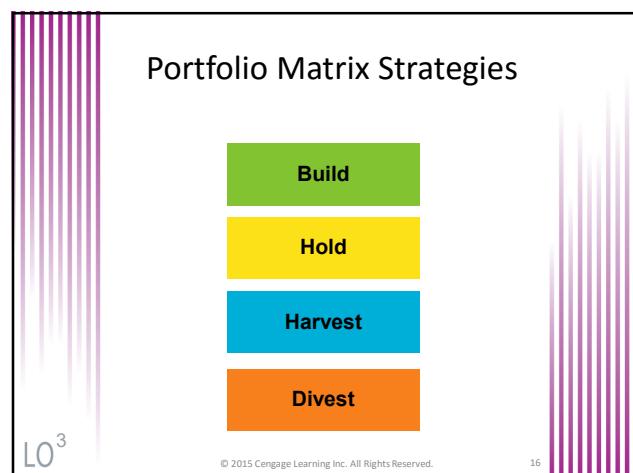
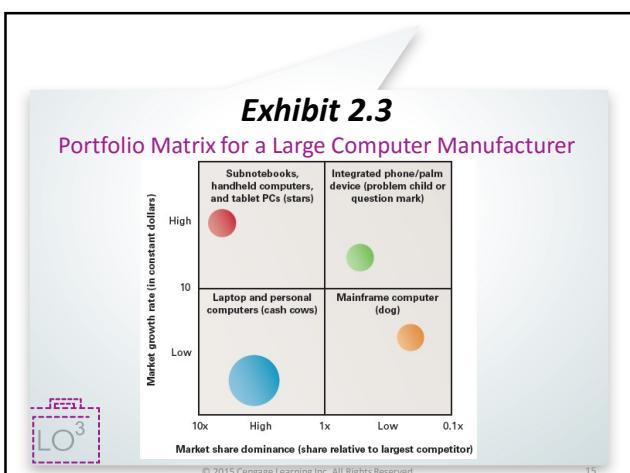
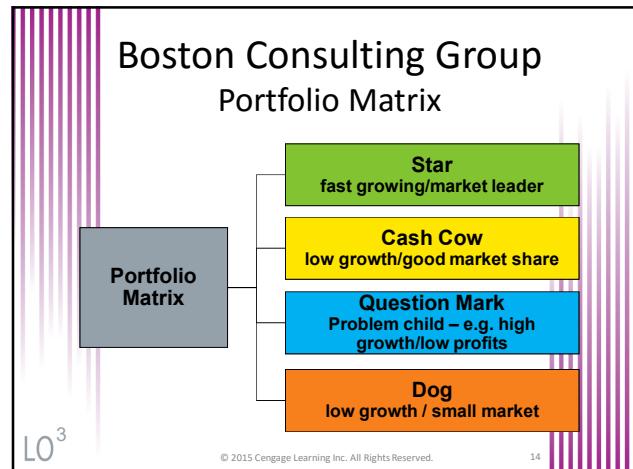
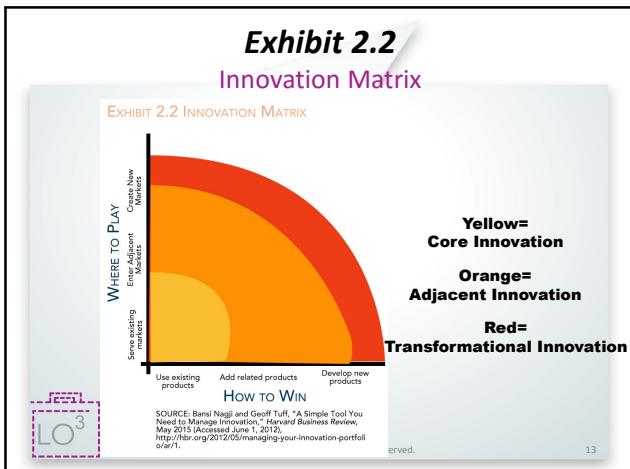


Exhibit 2.4

General Electric Model

		Business Position		
		Low	Medium	High
Market attractiveness	High	Cautiously Invest	Invest/Grow	Invest/Grow
	Medium	Harvest/Divest	Cautiously Invest	Invest/Grow
	Low	Harvest/Divest	Harvest/Divest	Cautiously Invest

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What Is a Marketing Plan?

- ◆ *Planning* – the process of anticipating future events and determining strategies to achieve organizational objectives in the future.
- ◆ *Marketing Planning* – designing activities relating to marketing objectives and the changing marketing environment.
- ◆ *Marketing Plan* – a written document that acts as a guidebook of marketing activities for the marketing

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Why Write a Marketing Plan?

The creation and implementation of a complete marketing plan will allow the organization to achieve marketing objectives and succeed.

However, the marketing plan is only as good as the information it contains and the effort, creativity, and thought that went into its creation.

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Exhibit 2.5
Elements of a Marketing Plan



Defining the Business Mission

Develop an appropriate business mission statement

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Defining the Business Mission

- ◆ Answers the question, "What business are we in?"
- ◆ The business mission profoundly affects the firm's long-run resource allocation, profitability, and survival
- ◆ Business mission statements that are stated too narrowly suffer from marketing myopia

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Example Mission Statement

Ben & Jerry's operates on a three-part mission that aims to create linked prosperity for everyone that's connected to our business: suppliers, employees, farmers, franchisees, customers, and neighbors alike.

1. Our Product Mission drives us to make fantastic ice cream – for its own sake.
2. Our Economic Mission asks us to manage our Company for sustainable financial growth.
3. Our Social Mission compels us to use our Company in innovative ways to make the world a better place.

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<http://www.benjerry.com/values>

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Let's Party! Entertainment and Party Services

Let's Party



Mission Statement?

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Conducting a Situation Analysis

Describe the components of a situation analysis

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SWOT Analysis

Internal	S	Strengths - things the company does well.
	W	Weaknesses - things the company does not do well.
External	O	Opportunities - conditions in the external environment that favor strengths.
	T	Threats - conditions in the external environment that do not relate to existing strengths or favor areas of current weakness.

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Components of a SWOT Analysis

Examining internal strengths and weaknesses.

Focus on organizational resources:

- Production costs
- Marketing skills
- Financial resources
- Company or brand image
- Employee capabilities
- Technology

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Environmental Scanning

Helps identify opportunities and threats.

Designing a marketing strategy is based on six major environmental forces:

- Social
- Demographic
- Economic
- Technological
- Political/Legal
- Competitive

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Competitive Advantage

Identify sources of competitive advantage

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Competitive Advantage

Types of Competitive Advantage

- Cost
- Product/Service Differentiation
- Niche

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Cost Competitive Advantage

- A competitive advantage is a set of unique features of a company and its products that are perceived by the target market as significant and superior to those of the competition.
- Having a cost competitive advantage means being the low-cost competitor in an industry while maintaining satisfactory profit margins.

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Sources of Cost Reduction

Experience Curves	Product Design
Efficient Labor	Reengineering
No-frills Products	Production Innovations
Government Subsidies	New Service Delivery Methods

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Examples of Product/Service Differentiators

A product/service differentiation competitive advantage exists when a firm provides something that is unique and valuable to buyers beyond simply offering a lower price than that of the competition. Examples include:

- ◆ Brand names
- ◆ Strong dealer network
- ◆ Product reliability
- ◆ Image
- ◆ Service

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Niche Competitive Advantage

A niche competitive advantage seeks to target and effectively serve a single segment of the market. A nice competitive advantage:

- ◆ Is used by small companies with limited resources
- ◆ May be used in a limited geographic market

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Building Sustainable Competitive Advantage

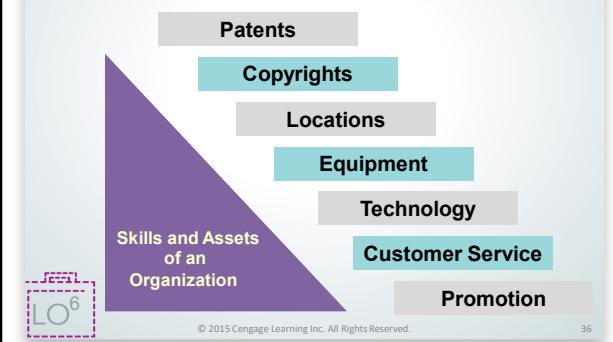
- ◆ Sustainable competitive advantage is an advantage that cannot be copied by the competition.
- ◆ A firm that has successfully achieved a competitive advantage will stake out a position unique in some manner from its rivals.

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Sources of Sustainable Competitive Advantage



Setting Marketing Plan Objectives

Explain the criteria for stating good marketing objectives

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Marketing Objectives

A **marketing objective** is a statement of what is to be accomplished through marketing activities. To be useful, stated objectives should be:

- ◆ Realistic
- ◆ Measurable
- ◆ Time specific
- ◆ Compared to a benchmark

"Our objective is to achieve 10 percent dollar market share in the cat food market within 12 months of product introduction."

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Criteria for Good Marketing Objectives

Carefully specified objectives serve several functions:

1. Communicate marketing management philosophy
2. Provide management direction
3. Motivate employees
4. Force executives to clarify their thinking
5. Form a basis for control

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Describing the Target Market

Discuss target market strategies

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Describing the Target Market

Marketing Strategy involves...

the activities of selecting and describing one or more target markets and developing and maintaining a marketing mix that will produce mutually satisfying exchanges with target markets.

Marketing Opportunity Analysis (MOA) involves...

the description and estimation of the size and sales potential of market segments that are of interest to the firm and the assessment of key competitors in these market segments.

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Target Market Strategy

- Segment the market based on groups with similar characteristics
- Analyze the market based on attractiveness of market segments
- Select one or more target markets

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Target Market Strategy

Appeal to the entire market with one marketing mix

Concentrate on one marketing segment

Appeal to multiple markets with multiple marketing mixes

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The Marketing Mix

Describe the elements of the marketing mix

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The Marketing Mix is...

a unique blend of **product**, **place (distribution)**, **promotion**, and **pricing** strategies designed to produce mutually satisfying exchanges with a target market.

The elements of the marketing mix are often referred to as the
"Four Ps"

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What is “Product”?

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Marketing Mix: The “Four Ps”

The starting point of the “4 Ps” Includes:

- ◆ Physical unit
- ◆ Package
- ◆ Warranty
- ◆ Service
- ◆ Brand
- ◆ Image
- ◆ Value



Products can be...

- ◆ Tangible goods
- ◆ Ideas
- ◆ Services

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What is “Place”?

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Marketing Mix: The “Four Ps”

Place

- ◆ Product availability where and when customers want them
- ◆ All activities from raw materials to finished products
- ◆ Ensure products arrive in usable condition at designated places when needed

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What is “Promotion”?

Marketing Mix: The “Four Ps”

Promotion

Role is to bring about exchanges with target markets by:

- ◆ Informing
- ◆ Educating
- ◆ Persuading
- ◆ Reminding

Includes integration of:
◆ Advertising
◆ Public relations
◆ Sales promotion
◆ Personal selling

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What is “Promotion”?

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Marketing Mix: The “Four Ps”

Price

- ◆ Price is what a buyer must give up to obtain a product.
- ◆ The most flexible of the “4 Ps”—quickest to change
- ◆ Competitive weapon
- ◆ $\text{Price} \times \text{Units Sold} = \text{Total Revenue}$

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Whole Foods Changes Its Pricing Strategy

- As customers face financial struggles, Whole Foods is changing its pricing strategy by:
 - highlighting deals and sales
 - pricing items individually instead of per pound
 - bundling items in bulk discounts



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Source: Katy McLaughlin and Timothy Martin, "As Sales Slip, Whole Foods Tries Health Push," *Wall Street Journal*, August 5, 2009, B1

Following Up on the Marketing Plan

Explain why implementation, evaluation, and control of the marketing plan are necessary

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Following Up on the Marketing Plan

- ◆ Implementation – (doing what you said you were going to do)
- ◆ Evaluation and Control
- ◆ A marketing audit is...

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Following Up on the Marketing Plan

- ◆ Marketing Audit – the main purpose is to develop a full profile of the organization's marketing effort and provide a basis for developing and revising the marketing plan.
- ◆ A marketing audit is...
 - ◆ Comprehensive
 - ◆ Systematic
 - ◆ Independent
 - ◆ Periodic

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Postaudit Tasks

After the audit, three tasks remain:

1. Profile and make recommendations about weaknesses and inhibiting factors as well as strengths and new opportunities.
2. Ensure that the role of the audit has been clearly communicated.
3. Make someone accountable for implementing recommendations.

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Effective Strategic Planning

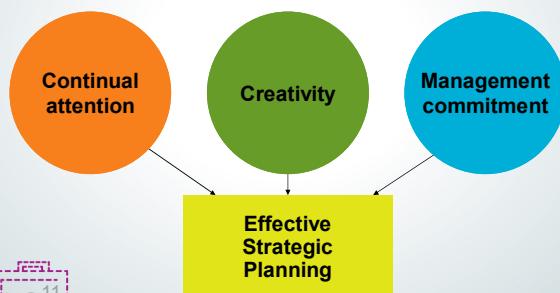
Identify several techniques that help make strategic planning effective

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Techniques for Effective Strategic Planning



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Chapter 2 Video

The Nederlander Organization



The Nederlander Organization is a global theatre management company that backs productions, rents, and manages Broadway style theatres. In this video, major managers discuss the strategic decisions behind the development of a separate company to manage Audience Rewards, a loyalty program for theatre-goers.

[CLICK TO PLAY VIDEO](#) Beyond the Book

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